

Message Text

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17

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00

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SP-02 SS-15 STR-01 TRSE-00 FRB-01 FEA-01 PA-01 PRS-01

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R 020533Z DEC 74

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 1642

INFO USDOC WASHDC

AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY OTTAWA

AMEMBASSY TEHRAN

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E.O. 11652: N/A

TAGS: ENRG, ECEM, EIND, EALR, KU

SUBJECT: KUWAIT PETROCHEMICAL NOTES

REF: KUWAIT 4639 (NOTAL)

1. REFTTEL REPORTED THAT THREE PETROCHEMICAL PROJECTS WERE RECEIVING SERIOUS ATTENTION IN KUWAIT. AMONG THEM WAS NAPHTHA-BASED OPERATION INVOLVING W.R. GRACE. TOP GRACE OFFICIAL HAS BEEN CALLED BACK TO KUWAIT BY MINISTER FINANCE AND OIL FOR ADDITIONAL TALKS, SUGGESTING FORWARD MOVEMENT ON THE PROJECT. WE UNDERSTAND PRESSURE WAS EXERTED ON GRACE TO GET RID OF
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PROMINENT PRIVATE KUWAITI PARTNER, AND THIS HAS BEEN DONE.

WE HAVE ALSO BEEN TOLD THAT KNPC WHICH PROBABLY WILL BE MAJOR SOURCE OF NAPHTHA LIKELY TO WANT PIECE OF THIS PROJECT.

2. ACCORDING TO MORE THAN ONE SOURCE AT MINISTRY OF FINANCE AND OIL, GOK HAS ASKED TO HAVE SECOND LOOK AT ETHANOL PROPOSAL PRESENTED EARLIER THIS YEAR BY GROUP WHICH INCLUDED FORMER VICE PRESIDENT AGNEW. WE NOT FULLY FAMILIAR WITH DETAILS THIS PROPOSAL, BUT WE UNDERSTAND THAT IT INVOLVES MANUFACTURE OF ETHANOL IN KUWAIT. AGNEW GROUP PRESUMABLY WOULD BUY ETHANOL AT MARKET PRICE AND EXPORT IT FOR USE IN PETROPROTEIN PLANT. ALTHOUGH GOK HAD EARLIER INDICATED LACK OF INTEREST IN PETROPROTEINS, POSSIBILITY EXISTS THAT IN GENERAL REVIEW OF ETHANOL PROPOSAL, SERIOUS CONSIDERATION WILL ALSO BE GIVEN TO MANUFACTURING PETROPROTEINS HERE.

3. MEANWHILE WE ALSO AWARE OF FOREIGN PETROCHEMICAL PROJECT PROPOSALS WHICH ARE BEING PLACED BEFORE GOK FOR CONSIDERATION. ONE WHICH COULD AFFECT US MARKET WOULD INVOLVE STORAGE OF KUWAITI PETROCHEMICALS IN CANADIAN MARITIME PROVINCE (EITHER NOVA SCOTIA OR NEWFOUNDLAND) AT DEEPWATER PORT. THIS PROPOSAL WHICH MENTIONED TO US IN CONFIDENCE BY SHAHEEN NATURAL RESOURCES REP WOULD ALLOW SHIPMENT OF PETROCHEMICALS IN LARGE VOLUMES ABOARD LARGE TANKERS. ALTHOUGH SHAHEEN PROPOSAL ONLY IN CONCEPTUAL STAGE AND MOST LIKELY LEFT ONLY INFORMALLY WITH GOK, IT COULD BE TYPICAL OF MANY INVOLVING PETROCHEMICAL OPERATIONS IN NORTH AND SOUTH AMERICA AND ELSEWHERE.

4. COMMENT: WE CONTINUE TO BE TOLD BY SENIOR GOK OFFICIALS THAT HEAVY INDUSTRY FOCUS WILL BE ON PETROCHEMICALS AS WELL AS OTHER PETROLEUM BASED INDUSTRY AND RELATED SHIPPING. AS INDICATED ABOVE AND IN REFTEL SEVERAL SEPARATE PETROCHEMICAL PROPOSALS CURRENTLY RECEIVING CLOSE ATTENTION, AND IT SEEMS LIKELY THAT OVER \$1 BILLION WILL BE SPENT ON THIS INDUSTRY IN NEXT FEW YEARS.
STOLTZFUS

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